Western Cape Government
Agriculture
BETTER TOGETHER.

PERIOD UNDER REVIEW: November 2015

Compiled by: Michelle Swarts

1. SOUTH AFRICAN GRAIN MARKET

On 30 November 2015, the MTM price for wheat to be delivered in December 2015 amounted to R 4 563 per ton.

MTM-Prices (30/11/2015) - expressed in Rand/MT							Month end R/MT (28/11/14)	Year-on-Year Change (%)	Month end R/MT (30/09/15)	Month end R/MT (30/10/15)
Commodity	***Dec-15***	***Jan-16***	***Mar-16***	***May-16***	***Jul-16***	***Sept-16***	***Dec-14***	***Dec-14 vs. Dec-15***	***Oct-15***	***Nov-15***
Wheat (RFTN)	4563	-	4690	4698	4718	-	3689	↑ 23.7%	4101	4266
White maize	3430	3445	3512	3427	3414	3415	1981	↑ 73.1%	3159	3094
Yellow maize	3430	3392	3324	3117	3052	3063	2015	↑ 70.2%	2924	2940
Sunflower	7040	7045	6900	6055	6080	-	4730	↑48.8%	6450	6740
Soya bean	6015	5860	5790	5550	5625	-	5444	↑10.5%	5471	5675
Sorghum	3190	-	3201	-	-	-	2400	↑32.90%	3040 (Dec 2015)	3040 (Dec 2015)

Table 1: Mark-to-market prices for the summer crops and winter cereals as traded on SAFEX
Source: SAFEX (2014 & 2015)

Market future prices, production and production area estimates

South Africa's total maize production for the 2015 marketing season had a shortfall of 30% y/y, which transpires to 4, 3 million tonnes or approximately 1/3 in relation to the 2014 final harvest figures (CEC, 2015). The shortfall of maize is mainly be ascribed to the drought conditions which were brought about by the El

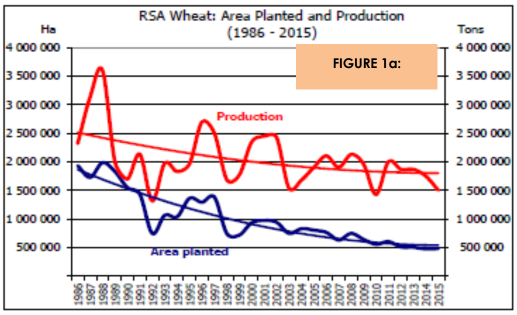
Nino weather system, persisting in most parts of the southern hemisphere (Reuters as cited in Blive, 2015). However, intensions to plant maize (both white and yellow) for the 2016/17 marketing season tallied around 2, 55 million which has been damped as producer recover from previous production losses, caused by drier weather conditions (CEC, 2015).

The market dynamics triggered by the above mentioned factors as well as fluctuations in commodity prices on the global markets had tremendous implications on domestic summer crop future prices (table 1). Future prices for maize for delivery in December 2015, continued on an upward trend and increased to 73% y/y and 70% y/y for white and yellow maize respectively, translating to more than R 1 400 more per ton (SAFEX, 2014& 2015).

The declining sunflower harvest of 21% y/y also pushed future prices for delivery in December 2015 by more than 40% in relation to November 2014 market price. Sorghum production followed suit and also declined by 56% y/y, increasing future prices by 33% y/y for delivery in December (SAFEX, 2014&2015).

Wheat market prices increased by 24% y/y for delivery in December 2015, in comparison to the same period last year. The decline in production is mainly due to the drought experienced as the Western Cape Province received below normal rain over most parts of the province, with conditions in the western parts (i.e. West Coast and Cape Winelands) being more severe as it received either 5mm or lesser rain whilst some parts of the Overberg district experienced high rainfall which delayed the harvesting of crops within the region due to the unexpected rainfall during the month of November 2015 *(DAFF NAC, 2015 & Elsenburg, 2015)*. Poorer rainfall conditions in the West Coast district gave rise to a smaller wheat harvest, whilst the harvesting of wheat also commenced earlier than normally anticipated (DAFF NAC, 2015).

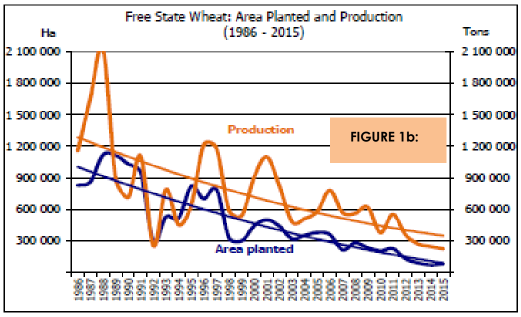
Winter cereals: commencing of 2015/16 marketing season

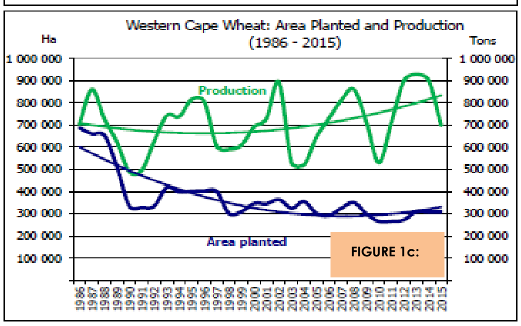


Wheat production has been on a downward trend over the past 29 year (from 1986 to 2015). The total area planted declined by more than 1, 4 million hectares, which resulted in a reduction in production output from 2, 5 million tons to a projected 1, 5 million tons in 2015. The area planted has further decreased by 5,580 hectares between the 2014 and 2015 harvest season as depicted in figure 1a (CEC, 2015).

Figure 1 b and c, depicts the relationship between the area planted and the production output obtained by the Western Cape and Free State Province respectively, which highlights two aspects:

- Free State: The area under production followed a more positively correlated trend – thus when the area planted *decreased*/increased in relation to the production output; it followed a similar trend as it also *decreased*/increased. Thus assuming that all other factors remained constant, production output performance was mainly dependent on the area planted and hence the reason for the long term declining trend in both variables mentioned.
- The area under wheat production in the Western Cape also declined significantly over the 29 year period, whilst production output followed a relative more fluctuating trend over the same period. This could be a result (assuming that all other factors remains constant) of either





improvement in production efficiencies such as the achievement of better yields per hectare during good harvest years, while effects of adverse conditions during lower-yielding harvest seasons similar to the 2015 drought in the Swartland area.

The two main wheat production regions, i.e. the Western Cape and the Northern Cape collectively acquired a 67% market share in terms of the 2014 production, with the Western Cape contributing 51% thereof. Adding the Free State's production output, the wheat market share amongst the three production regions increased to 80.7% in 2014 (CEC, 2015). Crop estimates for 2015, has however been indicated to be on a downward trend, as the Western Cape is anticipated to deliver a mere 46%, whilst the Northern Cape and Free State is expected to produce 17% and 15% respectively.

The 4th crop estimate for wheat has been adjusted downward by 2, 40% (to 37,060 tons lesser yielding 1, 5 million tons), whilst malting barley has been adjusted upward by 0.72% (to 2,470 tons more, yielding 347,487 tons) and canola remained unchanged at 78,050 tonnes compared to the 3rd crop estimations issued at the end of October 2015 (CEC, 2015).

Producer deliveries

Wheat

Producer deliveries for wheat amounted to 935,542 tonnes for the 2015/16 marketing season (from 26 September 2015 when the marketing season commenced), of which 76% or 717,262 tonnes was delivered during the period under review from 31 October to 27 November 2015. The combined deliveries for wheat during the period under review were adjusted upward by 17,364 tonnes and downward by 9,668 tonnes (SAGIS, 2015).

Maize

The progressive maize deliveries yielded 8,634 million tonnes as from 25 April 2015 till 27 November 2015, of which less than 1% was delivered during the period from 31 October to 27 November 2015, representing an additional delivery of 74,473 tonnes of maize (including white and yellow with an equal split of 50%). On 27 November 2015, white maize deliveries accounted for 49.5% or 4,271 million tonnes and yellow maize accounted for 50.5% or 4,362 million tonnes of the total maize deliveries, as from 24 April 2015 (SAGIS, 2015).

Exports, imports and re-exports

This section pertains to the trade of wheat for the period from 31/10/2015 to 27/11/2015:

Table 2 a: Wheat trade for the 2015/16 season, according to tons			Source: SAGIS, 2015
Progressive wheat exports for 2015/16	16,469	Progressive wheat imports for 2015/16	486,694
Wheat exports during the reporting period : (31/10/15 – 27/11/2015)	4,096	Wheat imports during the reporting period : (31/10/15 – 27/11/2015)	92,678
Importing countries	**% Share in RSA wheat exports**	**Supplying countries**	**% Share in RSA wheat imports**
Botswana	13.6%	Canada	32%
Mozambique	7.4%	Lithuania	47.9%
Namibia	27.9%	Russia	18.5%
Swaziland	5.8%	Ukraine	1.6%
Zambia	1.6%		
Zimbabwe	43.7%		

Wheat imports have increased by an additional 92,678 tons during the period as from 31 October 2015 to 27 November 2015. The largest wheat quantities exported were mainly supplied by Lithiania (almost 50%), Canada and Russia, of which 97% of wheat imports were shipped through the Durban harbour. Due to the shortfall in domestic supplies, a relatively small amount of wheat was exported to the SADC member states as listed in table 2a, of which Zimbabwe imported the largest share of 44%.

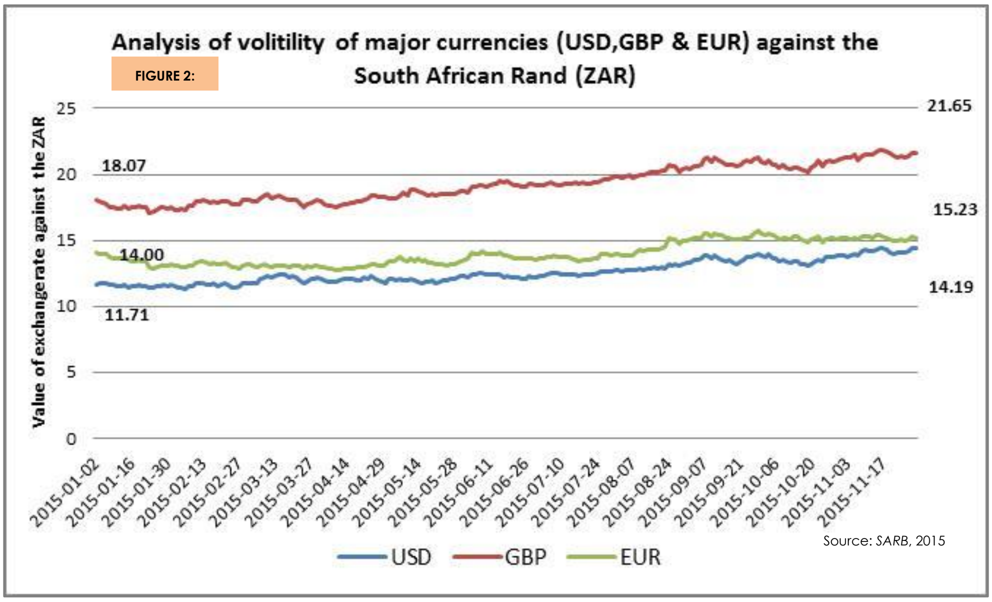
Table 2 b: Maize trade for the 2015/16 season, according to tons					Source: SAGIS, 2015
Progressive maize exports for 2015/16	White maize: 237,753	Yellow maize: 133,388	Progressive maize imports for 2015/16	White maize: 68,420	Yellow maize: 561,747
Maize exports during the reporting period : (31/10/15 – 27/11/2015)	Yellow maize: 37,497	Yellow maize: 21,287	Maize imports during the reporting period : (31/10/15 – 27/11/2015)	White maize: 26,922	Yellow maize: 163,286
Importing countries	**% Share in white maize exports**	**% Share in yellow maize exports**	**Supplying countries**	**% Share in white maize imports**	**% Share in yellow maize imports**
Botswana	24.8%	31.1%	Mexico	98.7%	-
Lesotho	19%	4.5%	Zambia	1.3%	-
Mozambique	12.8%	15.6%	Brazil	-	84.6%
Namibia	32.2%	20.4%	Paraguay	-	15.4%
Swaziland	9.9%	28.4%			
Zimbabwe	1.3%	-			

The progressive total of maize imported during the 2015/16 season amounted to 68,420 tons for white maize, whilst yellow maize imports amounted to 561,747 tons. Maize imports for the period under review (31 October 2015 to 27 November 2015) amounted to 190,208 tons of which 14% thereof were white maize imports and 86% yellow maize imports. White maize imports were mainly supplied by Mexico through the Durban harbour, whilst a relatively small percentage was imported from Zambia. On the other hand, yellow maize imports were mainly supplied by Brazil and a smaller portion thereof from Paraguay through the Cape Town and Port Elizabeth harbours.

Maize exports, more or less followed a similar trend compared to the previous reporting period, as a total amount of 58,784 tons were exported to SADC member states of which the largest portion thereof was white maize (63%), and 57% thereof destined for the Namibian and Botswanan markets. On the other hand, yellow maize exports were mainly destined for Botswana, Namibia and Swaziland, which accounted for 80% of yellow maize exports during the review period from 31 October to 27 November 2015.

2. ECONOMY

Figure 2: The local currency (ZAR) performance against the US$, € and £ (*from 02 January 2015 to 30 November 2015*).



The local currency (Rand: ZAR) continued to weaken against the major developed economic currencies, since the beginning of the year. The prospect is that it would translate in a competitive advantage for domestic exporters; however the agricultural sector and specifically primary producers are not enjoying the full benefits thereof due to the cost of inputs such as fertiliser and fuel which needs to be offset against the profits realised during this period (Landbank, 2015).

Figure 2 depicts the performance of the Rand since the start of January 2015 till 30 November 2015, which has respectively depreciated by 19.8%, 8.8% and 21.2% against the British Pond (GBP), Euro (EUR) and the United States Dollar (USD) respectively. On 30 November, the Rand ended on R 21.65, R 15.23 and R 14.19 against the GBP, EUR and the USD respectively (SARB, 2015).

Furthermore, on 19 November 2015 the South African Reserve Bank (SARB): Monetary Policy Committee (MPC) raised the repo rate (*i.e. interest rate at which the central bank lends money to commercial banks*) from 6, 0% to 6, 25% (SARB, 2015). SARB has also revised economic growth prospects slightly downwards for 2015 and 2016, whilst growth prospects for 2017 remained unchanged at 2, 1%. Domestic growth is moving on a downward trend due to persisting dry weather conditions which hampers growth in the primary agricultural sector, which is likely to result in a decline in agricultural output in a third consecutive quarter for the current financial year (2015/16).
Source: SARB & Nedbank, 2015

3. ENERGY

The below monthly fuel price adjustment have been effective as from Wednesday, 02 December 2015

Product description	Numeric adjustment (cents per litre)	Price adjustment description	Coast SA (cents per litre)
Petrol 93 ULP	1c	cents per litre **increase** in retail price	1 176.00
Petrol 95 ULP & LRP	1c	cents per litre **increase** in retail price	1 197.00
Diesel 0.05% Sulphur	3.80c	cents per litre **decrease** in wholesale price	1081.17
Diesel 0.005% Sulphur	1.80c	cents per litre **decrease** in wholesale price	1088.57
Illuminating Paraffin (Wholesale)	0.20c	cents per litre **increase** in wholesale price	657.03
Illuminating Paraffin (SMNRP)	1.00c	cents per litre **increase** in the Single Maximum National Retail price (SMNRP)	912.00
Maximum Retail Price for LPGAS	4.00c	cents per kilogram **decrease** in the maximum retail price	397.15 (at the refinery gate) LPG for residential customers is derived as per the control sheet per kilometre.

Source: Department of Energy, 30 November 2015

4. INTERNATIONAL GRAIN MARKET

To be discussed in the next issue.

ACKNOWLEDGMENT OF INFORMATION SOURCES

In this publication, the below listed information sources are acknowledged:

- Business Day (Blive): www.blivenews.com
- Crop Estimate Committee (CEC), South Africa: www.daff.gov.za ; www.sagis.org.za or www.grainsa.co.za
- Department of Energy (DoE): www.energy.gov.za
- Grain SA www.grainsa.co.za
- Land bank: www.landbank.co.za
- Nedbank: www.nedbank.co.za
- SAFEX: www.jse.co.za/redirects/safex
- SAGIS: www.sagis.org.za
- SARB: http://www.resbank.co.za/
- Western Cape Department of Agriculture (Elsenburg): www.elsenburg.com